

**SHERWOOD URBAN RENEWAL AGENCY BOARD OF DIRECTORS
MEETING MINUTES
Tuesday, July 7, 2015
22560 SW Pine Street, Sherwood, Oregon 97140**

REGULAR SESSION

1. **CALL TO ORDER:** Chair Krisanna Clark called the meeting to order at 9:47 pm.
2. **BOARD PRESENT:** Chair Clark, Sally Robinson, Dan King, Renee Brouse and Jennifer Kuiper. Jennifer Harris and Linda Henderson were absent.
3. **STAFF AND LEGAL COUNSEL PRESENT:** City Manager Joe Gall, Assistant City Manager Tom Pessemier and Agency Recorder Sylvia Murphy. City Attorney Chris Crean.

Chair Clark addressed the consent agenda and asked for a motion.

4. **CONSENT AGENDA:**

A. **Approval of June 16, 2015 URA Board Meeting Minutes**

MOTION: FROM DAN KING TO APPROVE THE CONSENT AGENDA, SECONDED BY SALLY ROBINSON, MOTION PASSED 5:0, ALL PRESENT MEMBERS VOTED IN FAVOR. (JENNIFER HARRIS AND LINDA HENDERSON WERE ABSENT).

Chair Clark addressed the next agenda item.

5. **PRESENTATIONS:**

A. **Cannery Leasing and Purchasing Update**

Assistant City Manager Tom Pessemier provided the Board with history and information relative to the cannery. He said in 2007 the URA put out a request for proposal for the development of the cannery site, specifically all the property on the other side of the tracks from Washington Street all the way to public works. He said the property was purchased by the City and transferred to the URA and the URA was primarily tasked with making sure that the property developed. He said there were several goals established for the property, including medium density mixed use development for residential commercial, a development that was likely to stimulate new investment development in Sherwood Old Town and surrounding areas, a development that contributed to a small town feel with unified architectural characteristics, and a development that was complementary to the investments the City made on the opposite side of the tracks. He said through a competitive process Capstone was determined to be the most responsive to the request for proposal and the URA entered into three agreements with Capstone with the primary agreement being the purchase and sale agreement which laid out the different responsibilities for each party that needed to be done in order to get the property sold and into development. He said the purchase and sale agreement outlined the responsibilities for both sides and the URA has done all of our commitments as noted in the agreement. He said some of the public infrastructure we did included urban street improvements on the plaza as well as all the way

to Highland Street. He said public improvements to allow for development were: additional paved parking areas, the plaza and water feature as well as the Center for the Arts. He said the URA has invested well over \$8 million dollars in that project in order to get it to the point of where it could develop.

He said the development to be completed by Capstone was broken up into phases, with lot 1, which is the lot in front of the Center for the Arts, to be a 4000 square foot single story commercial building. Lot 3 which is the lot across from the leasing space for the Center for the Arts, which was to be developed as approximately a two story, 8000 square foot building. Lot 4 which is the lot next to the plaza was to be developed as a 14,000 square feet, two story brick building and the west and east residential phases were to be about 100 units of apartments. He said the agreement also set purchase prices for lots 5 through 8, which is about an acre, and wasn't specifically identified as to what it was going to be except for, it's a very large parcel, the largest parcel that is available in old town.

Tom said to date Capstone has only developed the high density residential apartments on the south east corner of the site and has not done anything else. He said Section 1.3 of our purchased and sale agreement requires Capstone to diligently market and pursue financing for the remaining phases of the project after they closed on the high density apartments, which was over 2 1/2 years ago. He said staff believes Capstone has not made an effort to try and market the property or pursue financing. He said we had a great response for the Center for the Arts lease proposal and we are having a hard time understanding why the property isn't getting any attention relative to trying to do something with it.

Tom said Section 1.3 states if the seller, *(which is the URA) reasonably determines that the purchaser, (Capstone) is not diligently marketing and or pursuing financing for the remaining phases, seller may exercise the right to terminate the agreement at any time.* He said if we decide to terminate the agreement then they have 30 days to cure any breach, so they would certainly have an opportunity to cure a breach, but given this has been going on for a long period of time, it's going to be difficult for them to do. He said we have talked to Capstone about marketing and what we have heard from them is that they are thinking about doing some sort of passive marketing effort, which is basically putting out a flyer and sending it to brokers. He said in his last conversation with someone at Capstone they were talking about potentially making office spaces where the land and a portion of the building were sold separately, which is essentially condo'izing office space. He said that was never a part of the vision for old town or anything that happens to go in over there. He said we have some fairly serious concerns relative to what we think is a critical asset and a critical part of redevelopment of old town.

Tom said at this point, staff is recommending that a notice be sent to Capstone notifying them that we are terminating the agreement and giving them 30 days to cure the breach. He said before staff sends this, we wanted to inform the Board and get your comments.

Ms. Kuiper said we had a work session or some discussion earlier, and asked what was the last conversation Tom had with Capstone and when was it, relative to this issue of not marketing. Tom replied he has not had a direct conversation about not actively marketing, he said he has had the conversation with them about what they planned to do for marketing. He said he believes the last significant conversation with them was probably September or October of last year. He said they have also sent us some other pieces of information over time showing what they are thinking of doing. He said these were conversations with the direct principles. He said he has also had conversations with their people at the cannery plaza. He said we haven't had the best relationship with Capstone over the last six months. Ms. Kuiper asked if this letter would be a notice to give them 30 days to address it.

Tom said it would be a notice for them to decide to cure the breach and get serious about getting an active marketing plan to our satisfaction.

Mr. King stated this is a legal requirement for us.

Ms. Robinson stated she wanted to make a correction for the record and said you stated that they have the right to cure and that is what the contract says. Tom replied that is what the agreements say. She said that is not necessarily my position on that matter, because she thinks they have so far neglected the issue over so much time that they couldn't possibly in 30 days remedy their default. She said we had this discussion during an executive session and said she thinks the direction was to Mr. Crean's colleague to send them a notice that we believe they are in default and we don't think there is any way they can cure. She asked, did that not happen?

Tom replied this conversation is public conversation to have that conversation, obviously what happened in executive session happened in executive session and he thinks that it is Chris's colleague's opinion that if we want to send a letter with the type of information relative to telling them they need to terminate the agreement, giving them 30 days to cure, this is something we need to have a conversation publically about. He said, this is what we are trying to do today, we are prepared to send that letter tonight if that is the desire of the URA Board, however it needs to be something that has been thought about and talked about in a public setting so that it is clear that it has the weight of the URA Board.

Chair Clark stated she thinks that staff has given us a lot of good information and said she feels it's appropriate to send a letter at this time and notify them as instructed. Chair Clark stated the following motion.

MOTION: FROM CHAIR CLARK THAT A LETTER GO OUT AS RECOMMENDED BY OUR STAFF, TOM PESSEMIER.

Prior to a second being received, Ms. Kuiper asked with 30 days to correct? Chair Clark replied yes and Tom stated it is our legal counsel's opinion that we still need to provide the 30 days as noticed in the agreement, although we do agree that it will be very difficult for them to cure this.

Chair Clark replied this is the way she understood the letter to read.

MOTION SECONDED BY DAN KING, MOTION PASSED 5:0, ALL PRESENT MEMBERS VOTED IN FAVOR. (JENNIFER HARRIS AND LINDA HENDERSON WERE ABSENT).

Chair Clark addressed the next agenda item.

6. NEW BUSINESS:

A. URA Resolution 2015-005 authorizing an Intergovernmental Agreement for services between the Sherwood Urban Renewal Agency and the City of Sherwood

Tom Pessemier stated this is a companion resolution to the resolution adopted this evening by the City Council. He said this is an agreement to deal with the timing issues relative to the transfer of the operations and financial and contracting issues going on at the facility as part of it being finished and the rest of it needs to be finished for the retail portion. He said this is the URA's approval of the actions taken by the City Council earlier.

Chair Clark asked for Board questions, with none received the following motion was stated.

MOTION: FROM JENNIFER KUIPER TO ADOPT URA RESOLUTION 2015-005, SECONDED BY DAN KING, MOTION PASSED 5:0, ALL PRESENT MEMBERS VOTED IN FAVOR. (JENNIFER HARRIS AND LINDA HENDERSON WERE ABSENT).

Chair Clark addressed the next agenda item.

7. STAFF REPORT:

Tom reported that staff has been collecting proposals for the lease space and currently we have proposals for 10,000 square feet from people that want to lease space and we only have 3000 square feet to lease. He said this is exciting and a good thing. He said we made it clear in the IGA that the City will be doing that, as far as contract negotiations. He said we will be meeting on the 14th as a committee to hopefully make some final selections and move forward with lease negotiations.

8. ADJOURN:

Chair Clark asked for a motion to adjourn.

MOTION: FROM JENNIFER KUIPER TO ADJOURN, SECONDED BY DAN KING, MOTION PASSED 5:0, ALL PRESENT MEMBERS VOTED IN FAVOR. (JENNIFER HARRIS AND LINDA HENDERSON WERE ABSENT).

Chair Clark adjourned at 10:05 pm.

Submitted by:

Sylvia Murphy, MMC, Agency Recorder

Krisanna Clark, Chair